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Uni-Socks (India) Ltd.

10th ANNUAL REPORT 2003-2004

UNI-SOCKS (INDIA) LTD.

Flat No. 202, Patels Avenue, Road No. 11,
Banjara Hills, Hyderabad - 500 034.

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BOARD OF DIRECTORS : Sheerchand Sethia -Chairman
As on 31.3.2004

Raghu Raj - Director

Subhash Kothari - Director

Om Joshi - Director
(IFCI Venture Fund Nominee)

Sunil Kapoor - IFCI Nominee

D.P. Kelkar - Director

Nortan Bothra - Director

Prabhat Sethia - Managing Director

REGISTERED OFFICE : 202, Patel Avenue Road,
8-2-618/2/1/1, Road No. 11,
Banjara Hills, Hyderabad - 500 034.

WORKS : Alinagar, Chetla,
Potharam Village,
Jeenaram Mandal,
Medak Dist.

BANKERS : State Bank of Hyderabad
Bellavista Branch,
Somajiguda, Hyderabad.

AUDITORS : M/s. S. Suresh & Co.
Chartered Accountants
Hyderabad.

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NOTICE

NOTICE is hereby given that the Tenth Annual General Meeting of Members of the Company will be held on Thursday the 30th September 2004 at 3:30 P.M. at its Registered Office at Flat No. 202, Patels Avenue, Road No. 11, Banjara Hills, Hyderabad – 500 034 to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet as at 31st March, 2004 and Audited Profit & Loss Account for the period ended on that date together with the reports of Board of Directors and Auditors thereon.

2. To appoint a Director in place of Shri Prabhat Sethia who retires by rotation and being eligible, offers himself for reappointment.

3. To appoint a Director in place of Shri Subhash Kothari who retires by rotation and being eligible offers himself for reappointment.

4. To appoint auditors and fix their remuneration.

Place : Hyderabad
Dated : 27.08.2004

By Order of the Board

Sd/-
(PRABHAT SETHIA)
Managing Director

NOTES :

1. A person entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote for himself and such proxy need not be a member.

2. Proxy Form duly executed should be deposited at the Registered Office of the Company atleast FORTY EIGHT hours before the commencement of the meeting.

3. The Register of Members and Share Transfer Books shall remain closed from 27th September, 2004 to 30th September, 2004 (Both days inclusive) for the purpose of Annual General Meeting.

4. Brief profile of Shri Prabhat Sethia and Shri Subhash Kothari are given hereunder.

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5. The Company has appointed the following as Share Transfer Agent and Depository Registrars :

M/s. Venture Capital & Corporate Investments Ltd.
Progressive Towers, 3rd Floor, Khairatabad, Hyderabad-500 004.
Phone Nos. : 040-23322264 / 23324804; Fax : 040-23324803.
All correspondence in respect of Shares may be made to the Registrars.

Brief Profiles :

Shri Prabhat Sethia :

He is a Commerce Post Graduate hailing from a business family of Kolkata. He has spearheaded the setting up of a Sock manufacturing unit at Hyderabad which is a 100% EOU and has pioneered supplies to all the leading brands of Apparel retailers in Europe and other countries. He has been at the helm of affairs of the Company with his indepth knowledge of the production process and possesses excellent marketing skills. The Company has greatly benefited from his business acumen.

Shri Subhash Kothari:

He is a Management graduate having his own business in the field of Software and has 25 years of business experience.He has been associated with the Company as Director since 1996 and has contributed immensely in the development of the Company in the initial stages. He has excellent business contacts in USA and other countries and has introduced many a customers who have continued to buy socks from the Company. His association with the Company has been also beneficial in framing the Management policies and time to time changes in them according to the changing business scenario.

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DIRECTOR REPORT

The Members

UNISOCKS (INDIA) LIMITED,

Hyderabad

Your Directors have pleasure in presenting the Tenth Annual Report of your Company together with the Audited Annual Accounts for the year ended 31st March, 2004.

1. FINANCIAL RESULTS : (Rupees. in Lacs)

Particulars	31.03.2004	31.03.2003
Net Sales	315.38	557.28
Increase/ Decrease in Stock	(2.00)	(9.32)
Other Income	3.28	0.80
Manufacturing/ operating Expenses	201.42	376.01
Profit/(loss) before Financial Expenses & Depreciation	119.42	172.76
Interest/ Financial Costs	76.74	76.85
Depreciation	36.07	36.07
Preliminary Expenses written off	2.48	2.48
Net Profit after Financial Expenses & Depreciation	3.96	57.35
Balance Carried to Balance Sheet	72.08	68.13

2. BUSINESS REVIEW & FUTURE OUTLOOK:

During the year under review Company has clocked turnover of Rs. 315.38 lacs with net profit of Rs. 3.96 lacs when the Garment industry has started to show signs of improvement. However, due to closure of the unit for few months for Maintenance, the orders could not be taken and production cycle got disrupted resulting into lower sales as compared to previous years. The Order Book is full at present. This has been possible only due to Quality consistency maintained which resulted into repeat orders from international buyers. The Company continues to suffer due to inadequate Working Capital since State Bank of Hyderabad, the Bankers, have not increased of the limit and have also not allowed the Company to approach other Banks. This has resulted from the objection raised by the Company on charging higher interest for Export finance. Due to inadeqate profits and in order to prepare for good times ahead, Your Directors have not recommended any Dividend.

With the outlook showing reverse in trends globally, the Company has embarked upon plans to go for backward integration. With the plans taking shape, Your Company can look forwa.d for better times ahead.

3. DIRECTORS: Shri Prabhat Sethia and Shri Subhash Kothari retire by rotation at the ensuing Annual General meeting and being eligible, offer themselves for reappointment. Your Director recommend their appointment.

4. AUDITORS: The Auditors M/s S.Suresh & Co, Chartered Accountants, Hyderabad were appointed as the Auditors of the Company for the year 2003-2004 and their term of office expires at the Annual General Meeting. Being eligible they have offered themselves for reappointment for the year 2004-2005. The Board recommends their reappointment at the ensuing Annual General Meeting.

The observations made by the Auditors in their report read with the Notes on Accounts are self explanatory and do not require any comments from Directors.

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5. FIXED DEPOSITS: Your Company has not accepted any Fixed Deposits from the Public or its shareholders during the year under review under Sec.58A and 58AA of the Companies Act,1956.

6. DIRECTORS RESPONSIBILITY STATEMENT: In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors state:

   (i) That in the preparation of the Annual accounts, the applicable accounting standards have been followed.

   (ii) That your Directors have selected such accounting policies and applied them consistently and made judgement and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit & loss of the Company for that period.

   (iii) That your Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safegaurding the assets of your Company and for preventing and detecting fraud and other irregularities.

   (iv) That your Directors have prepared the Annual Accounts on a going concern concept.

7. PARTICULARS OF EMPLOYEES: During the year under review, there were no employees drawing salaries more or equal to the limits laid under Section 217(2A) read with the Companies(Particulars of Employees) Rules, 1975.

8. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO:
   The details of energy conservation, technology absorption and foreign exchange earnings and outgo as required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies(Disclosure of Particulars in the Report of Board of Directors) Rules 1988 are given in the Annexure forming part of this report.

9. CORPORATE GOVERNANCE CODE: The Code of Corporate Governance promulgated by Securities & Exchange Board of India has been implemented by your Company. A Report on Corporate Governance as required is attached hereto and forms part of the Report.

10. DEMATERIALISATION OF SHARES:
    M/s. Venture Capital & Corporate Investments Limited, Hyderabad were appointed as Depository Registrars for dematerialization of shares and for physical shares also the transfer work was entrusted to them.
    The Company made an application to NSDL and CDSL for demat of shares but the Depositories have not granted the ISIN number till date and Company is following up the matter with the Depositories.

11. ACKNOWLEDGEMENTS: Your Directors take this opportunity to express their grateful appreciation for the cooperation and assistance by Central and State Governments, IFCI, Banks, Raw material suppliers and business associates as well as shareholders. Your Directors also place on record their appreciation for the devoted services rendered by all employees.

for and on behalf of the Board of Directors

Sd/-
(Prabhat Sethia)
Managing Director

Place: Hyderabad
Date : 27.08.2004

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ANNEXURE - A TO DIRECTOR'S REPORT

A. **Concervation of Energy :**

The thrust on energy conservation continued during the year across all manufacturing processes and the combined usage of system and devices was made to conserve the energy. The training on the subject was also imparted to technical personnel during the year. The Company has installed power capacitor which also contributes to conservation of energy, power and fuel consumption.

B. **Technology Absorption :**

a) **Research & Development**

1. Specific areas in which R & D carried out by the Company:

The Company does not have a specific R & D Department. However it is constantly trying to improve quality of its products by adhering to strict international quality procedures as per buyers specifications.

2. Benefits as a result of above R & D

Reduction of cost in output, marked improvement in quality resulting in better marketability.

3. Future plan of action

The above activities shall continue. The Company proposes to concentrate in the use of developing process know how which will eliminate/ reduce wastage.

b) **Technology absorption, adaptation & innovation**

1. The efforts in brief towards technology absorption, adaptation and innovation

The Company has fully absorbed the technology for manufacture of socks.

2. Benefits to be derived as a result of above efforts e.g output improvement, cost reduction, product development, import substitution etc are reflected in the working.

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Disclosure of Particulars with respect to the conservation of energy :

FORM A

A. Power & Fuel onsumption

		Current Year
Electricity		
a)	Purchased Units (Kwh)	174528
	Total amount (Rs.)	1032654
	Rate/ unit(Rs.)	5.91
b)	Own Generation	
	Through Diesel Generator Units (Kwh)	40734
	Total Amount (Rs.)	314688
	Cost/unit (Rs)	7.72

FORM B

RESEARCH & DEVELOPMENT (R&D)

The Company is operating in the area of manufacture where R& D is for designing only. However Company has always made efforts to absorb the latest technological developments in machinery etc.

TECHNOLOGY ABSORPTION

The company has fully absorbed the imported technology for usage and running of machines, their maintenance etc.

FOREIGN EXCHANGE EARNINGS & OUTGO

		(Rs. in lacs)
a.	Total Foreign Exchange earned through direct exports	315.38
b.	Others	
	Total Foreign Exchange Earned	315.38
c.	Foreign Exchange Used	
	- For import of raw materials	21.36
	- For import of spares etc	2.64
	- For Capital expenditure	Nil
	Total Foreign Exchange used	24.00

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ANNEXURE-B

Management Discussion & Analysis

Industry structure and developments

The Indian Textile and Garment industry has started to gear up for the World as a market after GATT becoming applicable in 2005. The large manufacturers are setting up facilities for enhancing the production as India has become the favoured outsourcing platform for the buyers in Europe and America. Indian Textile Industry offers cheaper quality products with talent pool of designers to suit the price sensitive Multinationals. These factors have earned the Indian Textile industry a good reputation which has thrown open the gates for lot of large Multinationals setting up their sourcing outfits in India.

Opportunities and Threats

The Company is a 100% Export Oriented Unit which enjoys confidence of buyers in European countries for quality supplies and this catapults into more orders from major chain stores in France and United Kingdom which can be leveraged to great advantage. Besides, the Company's plans to set up machinery for backward integration could result in major cost cutting thereby adding to the profitability. The Company faces competition from several other socks units in India. Indian Banking system has continued its traditional approach of higher interest rates thereby making the products costlier resulting in increase in costs and pressures on profitability. The size of the Company also does not allow to reap benefits of scale.

Outlook

During last year, the Textile and Apparel industry has shown marked recovery after a slump of almost five years. In the current year also the trend is expected to continue. The Company is considering to enter into some other field of business including backward integration for manufacture of covered cotton yarn. However, the plans have not been formalized yet.

Risks and concerns

The opening of Indian economy is a cause for concern as Indian markets are attracting major buyers to establish their own manufacturing bases in India. This may result into lower orders from some of the international buyers of the Company. With plans to diversify into other businesses, the risks associated with the trade will be borne in mind before leaping into such business.

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